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Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Friday September 24, 1976

CI NIDC 76-225C



NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

Top Secret

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National Intelligence Daily Cable for Friday September 24, 1976.

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] Lebanese President Ilyas Sarkis took the oath of office yesterday behind Syrian lines in Shaturah, with Syrian troops maintaining tight security.

25X1 [] Sixty-seven parliamentary deputies were present for the ceremony, mainly Christians, Shia Muslims who have recently begun cooperating with the Christians, and residents of the Syrian-controlled Bekaa Valley. At least 30 leftist deputies and Prime Minister Karami boycotted the proceedings.

25X1 [] Extremist Christian leader Camille Shamun--who is currently holding the foreign, interior, and defense portfolios--attended. According to one Lebanese newspaper, the cabinet is expected to tender its resignation, but Sarkis may feel unable to get rid of Shamun even though he presumably views him with distrust.

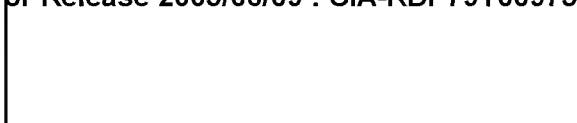
25X1 [] Sarkis' inaugural address was an attempt to stand above the fighting and reassure all sides that their essential interests could be preserved in a united Lebanon. He did not set forth a detailed plan of action, merely calling for an end to the fighting and for dialogue among all parties.

25X1 [] In an attempt to appeal to the leftists, he spoke of his willingness to consider basic political changes as long as Lebanon's unity and basic democratic system are preserved--a reference to reforming the previous structure that had worked to preserve Christian ascendancy even after the Muslims became a majority of the population. He talked about the necessity to preserve free competition, but stressed that it had to be supervised by the state.

25X1 [] He went out of his way to woo the Palestinians, emphasizing the "Arabism" of Lebanon and its willingness to help the Palestinians regain their homeland. He made it clear, however, that the sovereignty of Lebanon had to be respected and that previous pacts and agreements--a reference to the Cairo accords regulating fedayeen activity--had to be adhered to.


25X1 [] In a bow to Damascus, he lauded Syria's "special relationship" with Lebanon and said that the presence of Syrian

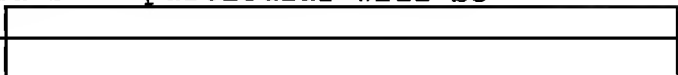
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troops on Lebanese soil fell within the framework of that relationship, blessing its legitimacy. He attempted to reassure those who are suspicious of Damascus' motives, however, by stating that the Syrian presence is subject to the "constitutional Lebanese authorities," who will regulate it in the country's interests.

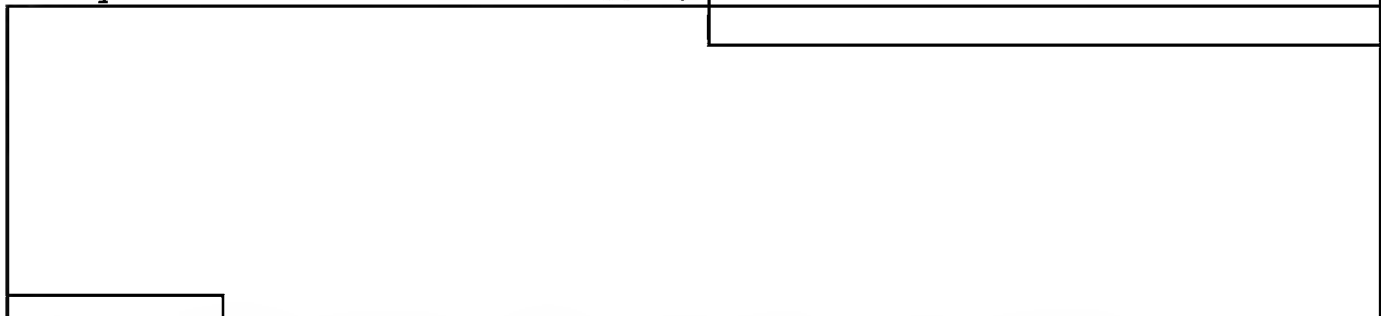
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 By attempting to reach out to everyone, Sarkis may end by pleasing no one; the Christians in particular will be wary of his talk of social reform.

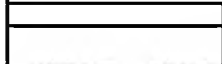


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 Saudi Arabia's effort to arrange a "mini-summit," which would attempt to reconcile Egypt and Syria and open the way for dealing with the Lebanese problem, has been stalled for the past few days. Recent remarks by Egypt's President Sadat suggest that Cairo is in no hurry to facilitate the mediation effort.

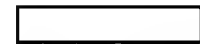
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 In an interview published yesterday in the Beirut newspaper *An-Nahar*, Sadat continues his steady attacks on Syria, blaming Damascus for "selling out" the Palestinians and obstructing other Arabs' efforts to resolve the Lebanon crisis.

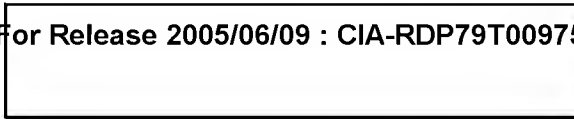
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 In a direct slap at Arab mediators who are trying to resolve Egyptian-Syrian differences as a first step toward tackling the Lebanon problem, Sadat denied any relationship between the two situations. He claimed--somewhat disingenuously--that Egypt has had nothing to do with the Lebanon situation, that it is Syria which has been "taking sides" there, and that it is Syria which started the Cairo-Damascus feud.

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 Although Sadat said he welcomes an Arab "mini-summit" with Egyptian and Syrian participation, he made it clear that he envisions this as a vehicle to discuss Lebanon, not a means to settle his quarrel with Syria.

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[] Sadat indicated that he believes the only way to stop the fighting in Lebanon is with what he called a deterrent force--presumably an expanded Arab security contingent with an offensive role--and he offered Sarkis "tanks, rockets, and artillery of all kinds." He said, however, that Egypt would not supply any troops.

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[]
[] Despite talk of a Palestinian cease-fire, fighting remained relatively heavy throughout Lebanon yesterday, at least in the early part of the day.

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[] Beirut was tense, with shelling in some residential areas and heavy gunfire along the central confrontation line; intense shelling continued in the southeast suburbs. Shelling in the Mount Lebanon area apparently centered near the villages of Alayh and Qammatiyah. []

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THAILAND: Prime Minister Resigns

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[] The return of former military ruler Thanom Kittikachon to Thailand last weekend has brought the infighting that has been simmering within the coalition government to a head. Prime Minister Seni Pramot abruptly announced his resignation yesterday after he came under attack in the parliament for his handling of the Thanom return but his resignation in fact reflects the weakness that has plagued his government since it came to power last April.

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[] Thanom's return has not led to the violence that occurred when his former deputy, Praphat, returned briefly last month, but it nevertheless brought further pressure to bear on the already weak government.

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[] //Since the government was formed in April, rival political leaders have maneuvered for stronger positions

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within the four-party coalition, with the most vigorous challenge coming from Deputy Prime Minister Praman's Thai Nation Party, which has recently all but demanded the critical defense portfolio held by Seni.//

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[redacted] //Seni's position has also been weakened by the deep divisions within his own Democrat Party. Thanom's return has increased the contradictory pressures from these factions, and it apparently was a bitter attack by the Democrat Party spokesman in parliament that triggered Seni's decision to resign.//

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[redacted] Seni's resignation undoubtedly reflects his frustration with the constant challenges to his leadership, but it may also be a ploy to strengthen his hand to reorganize the cabinet, possibly ousting the troublesome Thai Nation Party. Although his resignation or a cabinet reshuffle have been rumored for some time, the abruptness of his move clearly caught everyone by surprise.

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[redacted]

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[redacted] The party's Central Committee has agreed to ask Seni to accept the post of prime minister in a new government.

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[redacted] Seni will remain in office until a new government is formed. The Democrats are by far the strongest party in the parliament and will almost certainly be called upon first to form a new government. At this time, there is no strong alternative to Seni.

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ANGOLA-ZAMBIA: Relations

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[redacted] Angola and Zambia have agreed to exchange diplomatic missions, according to a joint communique issued in Luanda yesterday.

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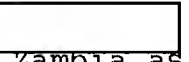
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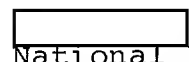
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 The two governments are interested in developing closer government-to-government and party-to-party ties. They will set up a permanent joint commission to resolve such bilateral problems as border security. The agreement apparently falls short of providing for full diplomatic relations.

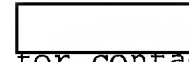
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 The Neto regime in Angola sees better relations with Zambia as facilitating closer cooperation among the states backing black nationalists in Rhodesia and Namibia.

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 Neto would also like to discourage Zambian support for National Union insurgents operating in eastern Angola. Although Zambian assistance to the insurgents has been sharply curtailed since the end of the Angolan civil war, the Zambian government is still sympathetic to the National Union and allows it to use Zambian territory for refuge and staging purposes.

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 Zambian President Kaunda will use this new opportunity for contact with Angola to press it toward establishing a government of reconciliation in which the National Union and the National Front can participate. He will probably also encourage the Angolans to reduce the Cuban presence in Angola.

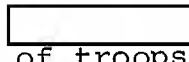
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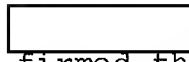


IRAQ-KUWAIT: Border Tension

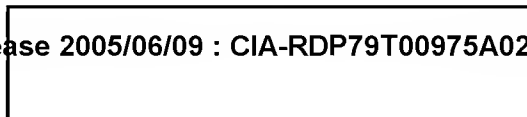
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 Iraq shows no sign of withdrawing the small detachments of troops that have been camped on the Kuwaiti side of the Iraq-Kuwait border for the past two weeks. No new Iraqi incursions have occurred, however.

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 On Wednesday, Kuwait's defense minister privately confirmed that a handful of Iraqi troops had taken up positions at two points a short distance inside Kuwaiti territory. The Kuwaiti military is limiting its response to observing the Iraqis and is making no effort to restrict their movements.

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[redacted] Iraq's border violations, coupled with troop movements near the frontier and propaganda against the Kuwaiti Emir's recent dissolution of the leftist-influenced National Assembly, were meant to demonstrate that Iraq sees the Emir's moves as an affront.

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[redacted] Iraq's muscle-flexing is probably also intended to warn the Emir that he should consider the likely reaction in Baghdad before making further moves against Baghdad's friends in Kuwait.

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[redacted] Kuwait has clamped strict controls on local press coverage of its relations with Iraq, discreetly refusing to respond in kind to Baghdad's propaganda attacks. The Ministry of Information censured a daily this week for having published an article on the border dispute without prior consultation with responsible officials. [redacted]

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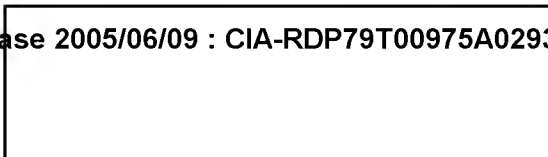
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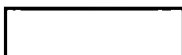
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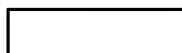
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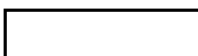
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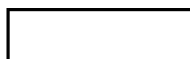
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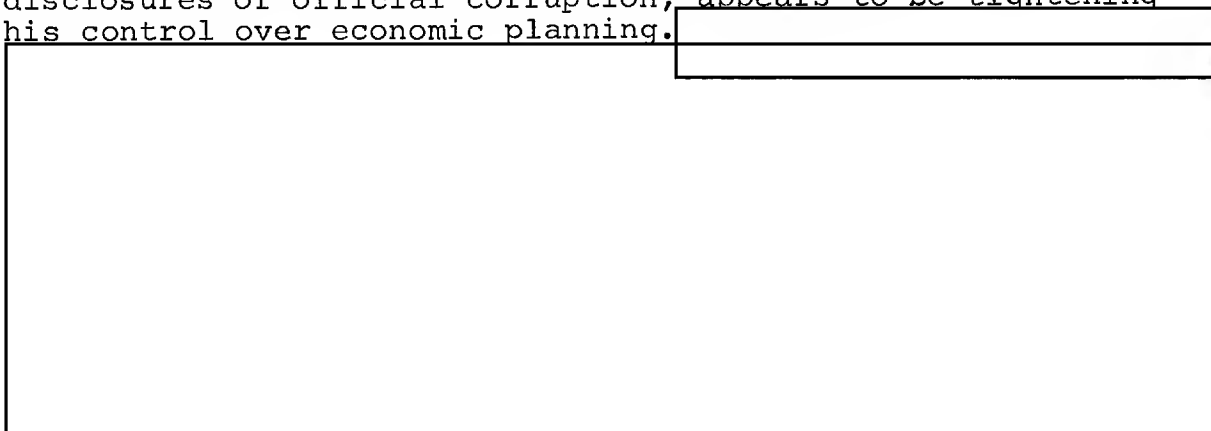
BRAZIL: Debt Problems

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[Redacted] Brazilian President Geisel, concerned with the rapidly mounting national debt and attentive to recent press disclosures of official corruption, appears to be tightening his control over economic planning.

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[] Brazil's current-account deficit has grown from about \$1.5 billion in the early 1970s to \$6.8 billion in 1975 and will probably be around \$5.8 billion this year.

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[] Financing these deficits drove the national debt from \$10.2 billion in 1972 to \$24 billion in 1975, and it is expected to reach \$27 billion by the end of 1976. Servicing its current debt obligation absorbs 40 to 45 percent of Brazil's foreign exchange reserves. Domestic prices have increased nearly 45 percent over the last 12 months.

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[] //Beginning in 1977, the government will rank economic development projects in terms of priority for capital investment. The guidelines are not firm yet, but they provide a forecast of what Geisel intends to emphasize.//

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[] //The areas cited for investment programming include airports, ports, agriculture and cattle raising, steel metallurgy, railroads, naval construction, highway construction and maintenance, nuclear energy, and science and technology.//

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ARGENTINA: Capital Repatriation Ban

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[] Argentina is planning to impose a six-month ban on the repatriation of funds by foreign business firms, according to a press report.

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[] The move may be a response to unexpectedly high rates of capital repatriation since the regime last month greatly liberalized the rules governing foreign investment. The junta virtually repudiated the restrictive Peronist code in an effort to attract foreign capital back to Argentina.

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[] Now, however, the junta may have found that the amount of capital being repatriated under the new law is greater than the still shaky economy can safely tolerate.

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[] The six-month ban probably does not signal a wholesale retreat from the liberal economic policies the junta has favored to date. It does point, however, to serious problems--notably in the balance of payments--that persist despite the very real progress made thus far. []

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